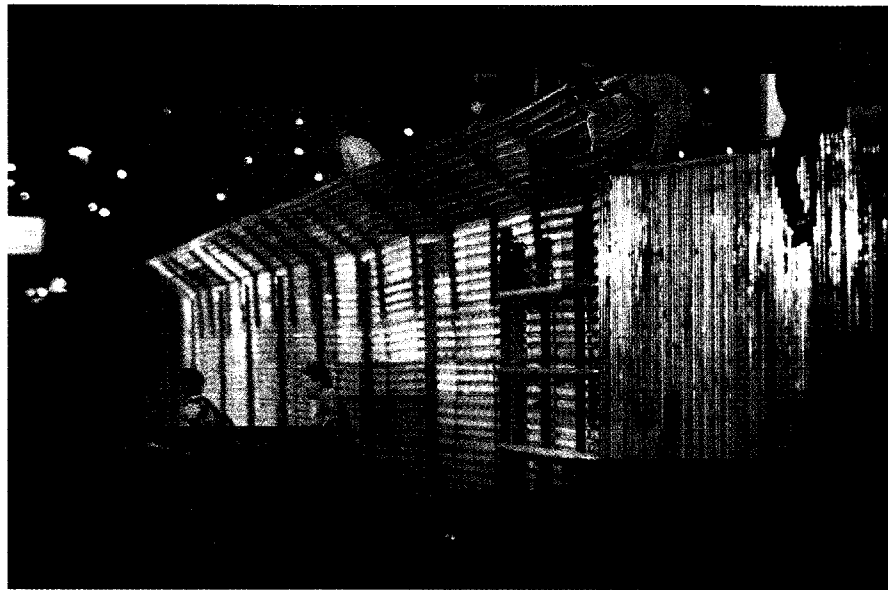


**The
Economist**

The longest journey

A survey of Migration
November 2nd 2002

The longest journey



Freeing migration could enrich humanity even more than freeing trade. But only if the social and political costs are contained, says Frances Cairncross

“WITH two friends I started a journey to Greece, the most horrendous of all journeys. It had all the details of a nightmare: barefoot walking in rough roads, risking death in the dark, police dogs hunting us, drinking water from the rain pools in the road and a rude awakening at gunpoint from the police under a bridge. My parents were terrified and decided that it would be better to pay someone to hide me in the back of a car.”

This 16-year-old Albanian high-school drop-out, desperate to leave his impoverished country for the nirvana of clearing tables in an Athens restaurant, might equally well have been a Mexican heading for Texas or an Algerian youngster sneaking into France. He had the misfortune to be born on the wrong side of a line that now divides the world: the line between those whose passports allow them to move and settle reasonably freely across the richer world's borders, and those who can do so only hidden in the back of a truck, and with forged papers.

Tearing down that divide would be one of the fastest ways to boost global economic growth. The gap between labour's rewards in the poor world and the rich, even for something as menial as clearing tables, dwarfs the gap between the prices of traded goods from different parts of the world. The potential gains from liberalising migration therefore dwarf those from removing barriers to world trade. But

those gains can be made only at great political cost. Countries rarely welcome strangers into their midst.

Everywhere, international migration has shot up the list of political concerns. The horror of September 11th has toughened America's approach to immigrants, especially students from Muslim countries, and blocked the agreement being negotiated with Mexico. In Europe, the far right has flourished in elections in Austria, Denmark and the Netherlands. In Australia, the plight of the *Tampa* and its human cargo made asylum a top issue last year.

Although many more immigrants arrive legally than hidden in trucks or boats, voters fret that governments have lost control of who enters their country. The result has been a string of measures to try to tighten and enforce immigration rules. But however much governments clamp down, both immigration and immigrants are here to stay. Powerful economic forces are at work. It is impossible to separate the globalisation of trade and capital from the global movement of people. Borders will leak; companies will want to be able to move staff; and liberal democracies will balk at introducing the draconian measures required to make controls truly watertight. If the European Union admits ten new members, it will eventually need to accept not just their goods but their workers too.

Technology also aids migration. The ►►

Also in this section

Irresistible attraction

Who moves, and why. Page 5

The best of reasons

Who gets in. Page 7

Feeling at home

Why some immigrants settle in faster than others. Page 9

Doing good from afar

Emigration also benefits those left behind. Page 11

A modest contribution

On balance, host countries benefit only slightly from immigration, whereas immigrants benefit hugely. Page 12

A better way

Managing the market. Page 15

Acknowledgments

Most sources for this survey can be found on *The Economist's* website. One book that proved particularly useful was "Immigration Policy and the Welfare System", edited by Tito Boeri, Gordon Hanson and Barry McCormick. Several people influenced this survey more than may be apparent from the text, including Herbert Brücker of the German Institute for Economic Research, Ledio Cakaj, Susan Martin of Georgetown University, Jonathan Portes, John Salt of University College London, Sarah Spencer of the Institute for Public Policy Research, Paul Wallace, and Alan Winters of Sussex University.

fall in transport costs has made it cheaper to risk a trip, and cheap international telephone calls allow Bulgarians in Spain to tip off their cousins back home that there are fruit-picking jobs available. The United States shares a long border with a developing country; Europe is a bus-ride from the former Soviet block and a boat-ride across the Mediterranean from the world's poorest continent. The rich economies create millions of jobs that the underemployed young in the poor world willingly fill. So demand and supply will constantly conspire to undermine even the most determined restrictions on immigration.

For would-be immigrants, the prize is huge. It may include a life free of danger and an escape from ubiquitous corruption, or the hope of a chance for their children. But mainly it comes in the form of an immense boost to earnings potential. James Smith of Rand, a Californian think-tank, is undertaking a longitudinal survey of recent immigrants to America. Those who get the famous green card, allowing them to work and stay indefinitely, are being asked what they earned before and after. "They gain on average \$20,000 a year, or \$300,000 over a lifetime in net-present-value terms," he reports. "Not many things you do in your life have such an effect."

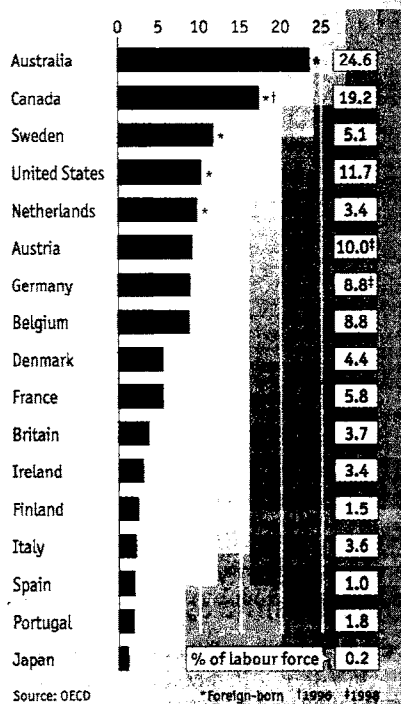
Such a prize explains not only why the potential gains from liberalising immigration are so great. It explains, too, why so many people try so hard to come—and why immigration is so difficult to control. The rewards to the successful immigrant are often so large, and the penalties for failure so devastating, that they create a huge temptation to take risks, to bend the rules and to lie. That, inevitably, adds to the hostility felt by many rich-world voters.

This hostility is milder in the four countries—the United States, Canada, Australia and New Zealand—that are built on immigration. On the whole, their people accept that a well-managed flow of eager newcomers adds to economic strength and cultural interest. When your ancestors arrived penniless to better themselves, it is hard to object when others want to follow. In Europe and Japan, immigration is new, or feels new, and societies are older and less receptive to change.

Even so, a growing number of European governments now accept that there is an economic case for immigration. This striking change is apparent even in Germany, which has recently been receiving more foreigners, relative to the size of its population, than has America. Last year, a

The company of strangers

Foreign population as % of total, 1999



commission headed by a leading politician, Rita Süssmuth, began its report with the revolutionary words: "Germany needs immigrants." Recent legislation based on the report (and hotly attacked by the opposition) streamlines entry procedures.

But there is a gulf between merely accepting the economic case and delighting in the social transformation that immigrants create. Immigrants bring new customs, new foods, new ideas, new ways of doing things. Does that make towns more interesting or more threatening? They enhance baseball and football teams, give a

new twang to popular music and open new businesses. Some immigrants transform drifting institutions, as Mexicans have done with American Catholicism, according to Gregory Rodriguez, a Latino journalist in Los Angeles. And some commit disproportionate numbers of crimes.

They also profoundly test a country's sense of itself, forcing people to define what they value. That is especially true in Europe, where many incomers are Muslims. America's 1.2m-1.5m or so Muslim immigrants tend to be better educated and wealthier than Americans in general. Many are Iranians, who fled extremist Islam. By contrast, some of the children of Germany's Turks, Britain's Pakistanis and France's North Africans seem more attracted to fundamentalism than their parents are. If Muslims take their austere religion seriously, is that deplorable or admirable? If Islam constrains women and attacks homosexuality, what are the boundaries to freedom of speech and religion? Even societies that feel at ease with change will find such questions hard.

No but, maybe yes

Immigration poses two main challenges for the rich world's governments. One is how to manage the inflow of migrants; the other, how to integrate those who are already there.

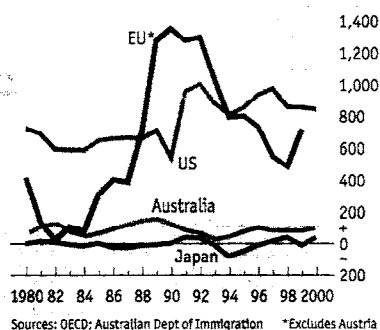
Whom, for example, to allow in? Already, many governments have realised that the market for top talent is global and competitive. Led by Canada and Australia, they are redesigning migration policies not just to admit, but actively to attract highly skilled immigrants. Germany, for instance, tentatively introduced a green card of its own two years ago for information-technology staff—only to find that a mere 12,000 of the available 20,000 visas were taken up. "Given the higher wages and warmer welcome, no Indians in their right minds would rather go to Germany than to the United States," scoffs Susan Martin, an immigration expert at Georgetown University in Washington, D.C.

Whereas the case for attracting the highly skilled is fast becoming conventional wisdom, a thornier issue is what to do about the unskilled. Because the difference in earnings is greatest in this sector, migration of the unskilled delivers the largest global economic gains. Moreover, wealthy, well-educated, ageing economies create lots of jobs for which their own workers have little appetite.

So immigrants tend to cluster at the upper and lower ends of the skill spectrum. ►

And still they come

Net legal migration, '000



Immigrants either have university degrees or no high-school education. Mr Smith's survey makes the point: among immigrants to America, the proportion with a postgraduate education, at 21%, is almost three times as high as in the native population; equally, the proportion with less than nine years of schooling, at 20%, is more than three times as high as that of the native-born (and probably higher still among illegal Mexican immigrants).

All this means that some immigrants do far better than others. The unskilled are the problem. Research by George Borjas, a Harvard University professor whose parents were unskilled Cuban immigrants, has drawn attention to the fact that the unskilled account for a growing proportion of America's foreign-born. (The same is probably true of Europe's.) Newcomers without high-school education not only drag down the wages of the poorest Amer-

icans (some of whom are themselves recent immigrants); their children are also disproportionately likely to fail at school.

These youngsters are there to stay. "The toothpaste is out of the tube," says Mark Krikorian, executive director of the Centre for Immigration Studies, a think-tank in Washington, D.C. And their numbers will grow. Because the rich world's women spurn motherhood, immigrants give birth to many of the rich world's babies. Foreign mothers account for one birth in five in Switzerland and one in eight in Germany and Britain. If these children grow up underprivileged and undereducated, they will create a new underclass that may take many years to emerge from poverty.

For Europe, immigration creates particular problems. Europe needs it even more than the United States because the continent is ageing faster than any other region. Immigration is not a permanent

cure (immigrants grow old too), but it will buy time. And migration can "grease the wheels" of Europe's sclerotic labour markets, argues Tito Boeri in a report for the Fondazione Rodolfo De Benedetti, published in July. However, thanks to the generosity of Europe's welfare states, migration is also a sort of tax on immobile labour. And the more immobile Europeans are—the older, the less educated—the more xenophobic they are too.

The barriers need to be dismantled with honesty and care. It is no accident that they began to go up when universal suffrage was introduced. Poor voters know that immigration threatens their living standards. And as long as voters believe that immigration is out of control, they will oppose it. Governments must persuade them that it is being managed in their interests. This survey will suggest some ways in which that might be done. ■

Irresistible attraction

LEAVING one's home to settle in a foreign land requires courage or desperation. No wonder only a tiny fraction of humanity does so. Most migration takes place within countries, not between them, part of the great procession of people from country to town and from agriculture to industry. International migrants, defined as people who have lived outside their homeland for a year or more, account for under 3% of the world's population: a total, in 2000, of maybe 150m people, or rather less than the population of Brazil. Many more people—a much faster-growing group—move temporarily: to study, as tourists, or to work abroad under some special scheme for a while. However, the 1990s saw rapid growth in immigration almost everywhere, and because population growth is slowing sharply in many countries, immigrants and their children account for a rising share of it.

Counting migrants is horrendously difficult, even when they are legal. Definitions vary. Some countries keep population registers, others do not. The visitor who comes for a holiday may stay (legally or illegally) to work. Counting those who come is hard, and only Australia and New Zealand rigorously try to count those who leave. So nobody knows whether the re-

jected asylum-seeker or the illegal who has been told to leave has gone or stayed. But the overall picture is one of continuing growth in the late 1990s.

Between 1989 and 1998, gross flows of immigrants into America and into Europe (from outside the EU) were similar, relative to population size. About 1m people a year enter America legally, and some 500,000 illegally; about 1.2m a year enter the EU legally, and perhaps 500,000 illegally. In both America and Europe, immigration has become the main driver of population growth. In some places, the effects are dramatic. Some 36% of New York's present population is foreign-born, says Andrew Beveridge, a sociology professor at Queens College, New York. "It hasn't been that high since 1910," the last peak.

America at least thinks of itself as an immigrant land. But for many European countries the surge of arrivals in the 1990s came as a shock. For example, the Greek census of 2001 found that, of the 1m rise in the population in the previous decade (to 11m), only 40,000 was due to natural increase. "In a decade, Greece has jumped from being one of the world's least immigrant-dense countries to being nearly as immigrant-dense as the United States," notes Demetrios Papademetriou, co-director of the newly created Migration Policy

Who moves, and why

Institute in Washington, D.C.

Asia too saw a burst of immigration in the 1990s, propelled initially by the region's economic boom. Foreign workers accounted for an increasing share of the growth in the labour supply in the decade to the mid-1990s. Chris Manning, an economist at the Australian National University in Canberra, reckons that foreign workers made up more than half the growth in the less-skilled labour force in Malaysia, perhaps one-third of the growth in Thailand and 15-20% of the growth in Japan, South Korea and Taiwan.

What makes all these people move? In the past, governments often imported them. In Europe, migration in the 1950s and 1960s was by invitation: Britain's West Indians and Asians, for example, first came at the government's request. Britain's worst racial problems descend from the planned import of textile and industrial workers to northern England. Now the market lures the incomers, which may produce less disastrous results.

Three forces often combine to drive people abroad. The most powerful is the hope of economic gain. Alone, though, that may not be enough: a failing state, as in Somalia, Sri Lanka, Iraq or Afghanistan, ►►

also creates a powerful incentive to leave. Lastly, a network of friends and relatives lowers the barriers to migrating. Britain has many Bangladeshi immigrants, but most come from the single rural district of Sylhet. Many host countries "specialise" in importing people from particular areas: in Portugal, Brazilians account for 11% of foreigners settling there; in France, Moroccans and Algerians together make up 30% of incomers; and in Canada, the Chinese share of immigrants is more than 15%.

Most very poor countries send few people abroad. Immigration seems to start in earnest with the onset of industrialisation. It costs money to travel, and factory jobs provide it. That pattern emerges strikingly from a study by Frank Pieke of Oxford University of emigration from China's Fujian province. He describes how internal and overseas migration are intertwined. Typically, a woman from a family will go to work in a factory in a nearby province, supporting a man who then goes abroad and probably needs a few months to find himself a job.

Incentives to go, incentives to stay

Net immigration flows continue as long as there is a wide gap in income per head between sending and receiving countries. Calculations by the OECD for 1997 looked at GDP per head, adjusted for purchasing power, in the countries that sent immigrants to its rich members, and compared that figure with GDP per head in the host country. In all but one of its seven largest members, average annual income per person in the sending countries was less than half that of the host country.

Migrant flows peter out as incomes in sending and host country converge. Philip Martin, an economist from the University of California at Davis, talks of a "migration hump": emigration first rises in line with GDP per head and then begins to fall. Migration patterns in southern Europe in the 1980s suggested that the turning point at that time came at just under \$4,000 a head. In a study for the European Commission last year of the prospective labour-market effect of EU enlargement, Herbert Brücker, of Berlin's German Institute for Economic Research (DIW), estimated that initially 335,000 people from the new members might move west each year, but that after ten years the flow would drop below 150,000 as incomes converged and the most footloose had gone. Net labour migration usually ends long before wages equalise in sending and host countries.

Migrants do not necessarily come to



Innumerable

stay. They may want to work or study for a few months or years and then go home. But perversely, they are more likely to remain if they think that it will be hard to get back once they have left. "If you are very strict, you have more illegals," observes Germany's Ms Süßmuth.

There has always been a return flow of migrants, even when going home meant a perilous return crossing of the Atlantic. According to Dan Griswold of the Cato Institute, a right-of-centre American think-tank, even in the first decade of the 20th century 25-30% of migrants eventually went home. And where migrants are free to come and go, many do not come in the first place. There is no significant net migration between the United States and Puerto Rico, despite free movement of labour. "It's expensive to be underemployed in America," explains Mr Griswold. But in Europe, with its safety net of welfare benefits, the incentives to have a go are greater.

Tougher border controls deter immigrants from returning home. A book co-authored by Douglas Massey of the University of Pennsylvania, "Beyond Smoke and Mirrors", describes how in the early 1960s the end of a programme to allow Mexicans to work temporarily in America led to a

sharp rise in illegal immigrants. Another recent study, published in *Population and Development Review*, also links tighter enforcement to a switch from temporary to permanent migration. Its author, Wayne Cornelius, says the fees paid to coyotes, people who smuggle migrants, have risen sharply. He found that, when the median cost of a coyote's services was \$237, 50% of male Mexican migrants went home after two years in the United States; but when it had risen to \$711, only 38% went back. And, whereas the cost of getting in has risen (as have the numbers who die in the attempt), the cost of staying put has declined, because workplace inspections to catch illegals have almost ceased. The chance of being caught once in the country is a mere 1-2% a year, Mr Cornelius reckons. So "The current strategy of border enforcement is keeping more unauthorised migrants in the US than it is keeping out."

Tighter controls in Europe are probably creating similar incentives to stay rather than to commute or return. A complex, bureaucratic system designed to keep many willing workers away from eager employers is bound to breed corruption and distortion. And the way that rich countries select immigrants makes matters worse. ■

The going rate

Payments to traffickers for selected migration routes, \$ per person

Kurdistan-Germany	3,000	North Africa-Spain	2,000-3,500
China-Europe	10,000-15,000	Iraq-Europe	4,100-5,000
China-New York	35,000	Middle East-US	1,000-15,000
Pakistan/India-US	25,000	Mexico-Los Angeles	200-400
Arab states-UAE	2,000-3,000	Philippines-Malaysia/Indonesia	3,500

Source: "Migrant Trafficking and Human Smuggling in Europe", International Organisation for Migration, 2000

The best of reasons

ONE of the many oddities of migration policy is that immigrants coming in to work permanently are usually a minority of those who arrive legally. Most host countries admit migrants mainly on grounds that have nothing to do with work. They also admit two large groups on grounds that have nothing to do with their skills or education, even though these characteristics may determine how rapidly they integrate.

Almost everywhere, the biggest group consists of relatives of those who have already arrived. In the United States they account for three-quarters of all legal permanent migrants. America even gives a few visas to migrants' adult siblings. In parts of Europe, family reunification has become family formation, and sometimes delays integration: for instance, it allows third-generation Pakistanis to seek spouses from among their cousins back in rural Mirpur. The policy also reinforces the characteristics of earlier arrivals. Unskilled migrants are likely to have less educated relatives than are skilled migrants.

In Europe, and especially northern Europe, the other main route of legal entry is to claim asylum. The number of claims has fallen by half since the early 1990s, partly because peace has returned to former Yugoslavia, and partly because of tougher rules, but still seems to be higher than in the United States. America cut the numbers sharply after the first attack on the World Trade Centre in 1993, mainly by refusing to allow asylum-seekers to work or draw any welfare benefits for the first six months of their stay, and by speeding the claims process. Many European countries are now moving that way.

Both marriage and asylum-seeking are clearly open to abuse by the desperate or the unscrupulous. Many asylum-seekers are fleeing poverty and disorder rather than persecution. It is usually impossible to establish whether or not they have really suffered the traumas they claim. Certainly there are some odd things going on. Near Calais, a large group of Iranians and Afghans have long been encamped, refusing to claim asylum until they have reached Britain.

When it comes to student visas, there

are incentives to cheat not only for would-be immigrants but for educational institutions too. Harvard University's Mr Borjas explains in a recent article in the *National Review* that 13% of foreign students stay on legally, making a place at an American educational establishment a safer bet for an entry ticket than the 0.5% chance of winning the annual American visa lottery. The incentive for educational bodies of all sorts is that foreign students provide welcome tuition fees and, for universities, cut-price teaching help.

One reason why would-be immigrants choose these roundabout routes to the rich world is that there are few straightforward ones available. Migrating for a permanent job is difficult everywhere. Canada has a system, copied by Australia, for admitting a few thousand would-be immigrants each year on the basis of points awarded for a variety of characteristics. Increasingly, says Meyer Burstein, a Canadian expert, these reward skills, education, language and youth. Germany and Britain both want to copy Canada's system, whereas Americans think that the job market is the best judge of what is needed. But even in America, says John Salt of University College London, a top expert on migration, "Highly skilled permanent employment-based immigrants account for about 3% of the total number of immigrants."

Temporary work permits, which several countries increasingly issue, help a bit to fill the gap, but most involve a process of labyrinthine complexity. Often there is a test of some sort to ensure that the worker

Who gets in

is not taking a job that a native might fill—usually a meaningless formality, but one of several that allow endless opportunities for bureaucratic delay. That seems even more true for the United States than for Europe. Leon Wildes, the New York immigration lawyer who got John Lennon a work permit in the heyday of the Beatles, taps a vast blue file on his desk. "This is one of my most well-heeled clients. He wants to bring in his household cook. It's taken us four-and-a-half years to get to this point."

The back door

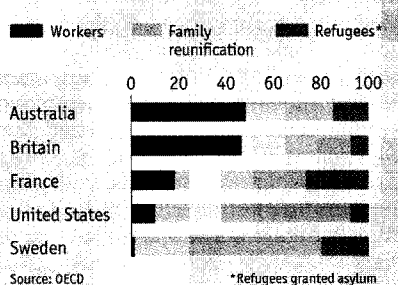
Because work permits are rarely issued to the unskilled, such people generally have no legal way of migrating to find work. So they come illegally. Immigration controls keep many people out, but not everyone. Vast numbers of travellers enter and leave most countries each year. For instance, although 20m foreigners arrive in Britain each year, Professor Salt's best guess is that Britain's foreign population rose by a mere 134,000 between 1999 and 2000. But even islands will never catch all those with no right to be there: most illegals are visitors who overstay their tourist or student visas.

If a country has a long land border, like the United States, or coasts temptingly near poorer countries, like Italy, its best hope is internal enforcement. That is easier in countries such as Germany, where people have to carry identification and register with the local authorities when they move. But even Germany has asylum-seekers who vanish when their claim is turned down: "We call them U-boats," says Rainer Münz, a demographer at Berlin's Humboldt University.

Either way, the illegals keep on coming. More than a quarter of America's immigrants, or about 9m people, are probably undocumented: about 60% of them entered illegally and 40% overstayed their visas. Their number grows by at least 500,000 a year, reckons Jeffrey Passel of the Urban Institute. Mexicans are more likely to be undocumented than any other group: the Immigration and Naturalisation Department thinks that 88% of male Mexicans and 73% of female ones entering America have no papers. That compares with 53% of men and 34% of women from ▶

Multiple motives

Categories of long-term immigration inflows 1999, %, selected countries



Source: OECD

* Refugees granted asylum



Where can we send them now?

► the rest of the western hemisphere.

Numbers for Europe are vaguer. Jean-Claude Chenais, a leading French demographer, guesses that Germany has 1m and France up to 500,000 illegals. Jonas Widgren, head of the International Centre for Migration Policy Development in Vienna, thinks that 500,000 illegal migrants enter the EU each year. Most cross land or sea borders illegally, he says, but 150,000 overstay their visas. That implies that the inflow into Europe and the United States is much the same, relative to population: about 0.15% of population a year.

Visit the American-Mexican border patrol at El Paso, and the problem is plain. No border crossing in the world has more sophisticated detection equipment. Cameras monitor remote stretches; a chain-link fence spans miles of scrubland; sensors buried in roads draw attention to suspicious traffic; patrols on horseback and quad bikes sweep the desert, dragging car tyres to smooth the sand and make it easier to spot fresh footprints. For all this expense and the consequent human misery, the patrol reckons it catches six or seven of every ten illegal entrants. A large proportion of the 400 people apprehended each day—and usually released—have crossed, or tried to cross, before.

Thousands continue to climb into the backs of the trucks that carry the world's trade across borders, to the fury of the International Road Transport Union, whose members pay fines or even go to jail when their unwanted cargo is discovered. Many would-be immigrants use the services of a professional smuggler. The rich world's politicians tend to talk of migrants being "exploited" or "victimised" by smugglers, wilfully confusing them with the traffickers who buy and sell women and children

in the sex trade. Some smugglers are undoubtedly ruthless, and becoming more so as smuggling fees rise. But many would-be migrants, having decided to go, seek out the services of a smuggler on a friend's recommendation, rather as holidaymakers turn to a travel agent.

After border checks, the only backstop is internal enforcement. Illegals thrive on vigorous, open labour markets in societies with few internal checks. In a remarkable study of undocumented immigrant workers in London for a conference run by the Institute of Public Policy Research in March, Bill Jordan and Frank Düvell reported an interview with a Pole who had been in London for seven years, during which time he worked (illegally) continuously and trebled his hourly earnings:

I have been to Germany three or four times ... You earn better money there but there is no freedom: you have to be able to produce your documents at any time, whereas here ... nobody ever asked to see my passport. I would never have been able to live illegally in Germany for so many years.

Internal enforcement inevitably means making employers responsible for ensuring that their staff have a legal right to work. That is possible in Germany, where employers are used to bureaucratic demands. In the United States, Doris Meissner, formerly head of the Immigration and Naturalisation Service, recalls with frustration the impossibility of enforcing effective controls on employers. When the INS inspectors harried them, bosses simply told politicians that without illegals the harvest would rot in the fields. Stephen Castles, director of the Refugee Studies Centre at Oxford University, puts his finger on the problem: "You'd actually have to imprison employers. Would the

courts do it?" At present, even fines are rare.

Even if employers could be disciplined, countries would then need to be able to remove those who arrive illegally. This is difficult everywhere. In the spick-and-span El Paso detention centre, America's largest, officials sigh if the courts hand down a deportation order for illegals from Cuba, Iran or Iraq. Releasing the immigrant is far simpler than trying to send him home.

Even if countries could be cajoled or bullied into taking back their strays, no imaginable repatriation policy is likely to evict all illegals, so their reluctant hosts need to find ways to deal with them. The alternative is to put up with an under-world population of non-persons, who may be unable to get car insurance or health care and who may pay no income tax or social-security contributions.

Having become increasingly wary about links between immigration and security, countries understandably feel uncomfortable about the presence of millions of undocumented foreigners. But offer them an amnesty, as America, in effect, did to 3m people in 1986 and Malaysia did in May this year, and you give others an incentive to try their luck. The wiser compromise is to allow those who have found work, paid taxes and avoided trouble to earn the right to stay, rather than force them home to change their status. In general, the benefits of being able to regulate those who have become legal will outweigh the costs of appearing to cave in. "The attitude of the public will depend on how you package it," says Esther Olavarria, counsel to Senator Edward Kennedy, who is keen to help the undocumented. "If you say it's an amnesty, they'll say no. But if you say, these are hard-working individuals whose position needs to be regularised, they'll support it."

And rightly. Illegal migrants are the most employment-hungry, market-sensitive arrivals of all. In the United States, points out Roberto Suro, director of the Pew Hispanic Centre, they provide just-in-time labour: "A meat-packing plant in Iowa can say to the foreman, next month we need 5% more workers for three months. On the day they are needed, they'll be there. It's extremely efficient."

To convince their voters that migration is under control, governments have to curb the illegal sort. But they would be foolish, in doing so, to lose the flexibility and employability that illegals contribute. Better to find ways to allow more to come legally—but not necessarily to stay. ■

Feeling at home

BOTH immigrants and host country often feel ambivalent about the way they live together. Immigrants want to feel at home—but they also want, to varying degrees, to keep their original values and culture. Host countries want immigrants to integrate—but some also harbour a sneaking hope that the newcomers will eventually go home. Pull up too many cultural roots, lose the ancestral language, and that becomes hard.

Such ambivalence is greater in Europe than in the United States. Not only does America have an unusually clear idea of what it stands for as a country; it has had enough experience of accommodating different cultures to have created a template for cultural co-existence. Europe lacks both advantages. Europeans often mistrust national pride and lack moral self-confidence; they are also new to the business of living in a multicultural society, and are not helped by the sheer size of the Muslim population in some of their countries.

For instance, what moral values and rules of behaviour should modern societies insist that people share? In the name of protecting freedom of speech and religion, should they tolerate incitement to violence by imams? Pim Fortuyn, a maverick homosexual Dutch politician, raised such questions before he was murdered earlier this year. He opposed immigration precisely because of the clash of values it brought. "Christianity and Judaism have gone through the laundromat of humanism and enlightenment, but that is not the case with Islam," he said.

Optimists argue that Europe will eventually learn from America. Aristide Zolberg, of the New School University in New York, recalls that the first big crisis in American immigration came in the 1830s when the Catholic Irish began to arrive. Their religious loyalties were assumed to be to a foreign potentate who deplored the liberalism and republican values for which the United States stood: "Everything now said in Europe about the unsuitability of Muslims for life in a liberal democracy was then said about the Irish." But America's schools and other institutions consciously shield immigrants into Americans.

As long as migrants think they will

Why some immigrants settle in faster than others



How to make Americans

eventually go home, integration is bound to come slowly. Germany's Turkish guest-workers and their families believed, right up into the 1980s, that one day they would leave. That caused problems: many first-generation Turks sent their children "home" to school, thus ensuring that the second generation was badly prepared for work in Germany. And the Turkish community made fewer demands on its host country than it might otherwise have done. "Only when Turkish Muslims realised that they would stay in Germany did they begin to build proper mosques and demand religious education for their children," says Peter Heine, an expert on Islam at the Humboldt University.

In fact, the nature of migration has altered in ways that encourage ambivalence. In the 19th century, the migrant and his family would board a ship for a new land knowing that they might never return home. Now, migration is rarely a single decision, but more often involves a series of steps: a succession of short visits that grow longer; or marriage and the arrival of a child; or a study course that leads to a job that turns out to be permanent.

That should help immigrants to span two cultures. Doing so is easier thanks to

modern communications, and works well if immigrants feel welcome and accepted by their hosts. "My concept is of a hyphenated identity," says Cem Ozdemir, a former member of Germany's Parliament. "I can criticise this country because it's my country—but I'm not a Christian, I was born into a Muslim family, and my mother-tongue is Turkish. I want both sides to accept that." The hyphen comes more readily to non-observant Muslims like Mr Ozdemir than to young Turks who are captivated by Islam. Germany's Turkish-language press is far more outspoken than anything published in Ankara.

If the second generation cannot define its place in a society that accepts and incorporates cultural diversity, it may become hostile and alienated instead. Immigrants' children, unlike their parents, do not see the new country as the promised land. Moreover, they may well have grown up in poverty. Their parents are disproportionately likely to be in low-wage jobs or, in continental Europe, to be out of work. Migrants are twice as likely as natives to be unemployed in Denmark, three times as likely in Finland and four times in the Netherlands. There is nothing inevitable about such vast gaps: they scarcely exist in ►►

► America or Australia. But they matter, because of the power of the job market itself to promote integration.

Immigrants' children are also likely to have parents with a poor command of the host country's language. Yet countries have only gradually woken up to the importance of learning the local language for economic and social integration. In California, Ronald Unz, a wealthy supporter of integration, championed a vote against Spanish-language education. Evidence from Britain shows that fluent English boosts a migrant's earnings by around 17% an hour. In Denmark and Britain, legislation will now compel some immigrants to take compulsory language lessons. In Germany, politicians from the opposition Christian Democrats such as Thomas Strobl go further: they want no more immigration until integration is under way. "The key to integration is the German language," he argues. "Some families have been living in Germany for 30 years, but the children don't speak a word of German when they start school."

Clusters and children

The young find integration harder when they grow up in segregated communities. Immigrants always converge initially on a handful of cities. William Frey, an expert on social geography at the Milken Institute, talks of "demographic Balkanisation", with two-thirds of the immigrants who arrived in America in 1985-96 concentrated in ten "gateway" cities from which native whites and blacks move out. The rest of the country, he fears, will look demographically quite different, and be less tolerant of ethnic diversity. In New York's metropolitan area, argues Professor Beveridge, newcomers are far more diverse than at the height of the first great immigration wave, in 1910. Five nationalities then accounted for 80% of immigrants, whereas now 22 nationalities account for only 66%. But they are also more segregated, with Washington Heights dominated by Dominicans, Flatbush by West Indians, Iron Bound by Portuguese and Union City by Cubans. "Will they all be incorporated into the wider society?", he wonders. "Or will we become a plural society, where each group retains its own identity?"

School is where the melting-pot succeeds or fails. There, a disturbing ethnic divide emerges in several countries: some immigrants' children (usually those of the smaller groups) do far better than others. In the United States, concludes a recent study of more than 5,200 second-genera-

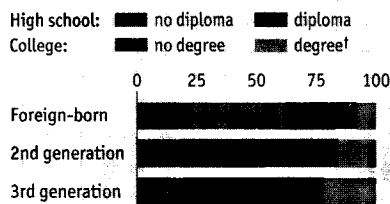
tion children in Miami and San Diego, the children of Chinese, Korean, Vietnamese, Laotian and Cambodian immigrants had grade-point scores averaging at least twice those of Mexican and Cuban children—even after adjusting for family and school characteristics. In Germany, it is the children of the Turks who cause concern: only 8% of Turkish children pass the Abitur, the tough German high-school-leaving exam, compared with 12% of the children of all foreigners and 30% of Germans. In Britain, the children of East African Asians thrive at school; Bangladeshi kids struggle.

Why these differences? Much of the answer is parental background. Britain's East African Asians were mainly urban professional Gujarati Hindus and Punjabi Sikhs, fleeing Uganda's Idi Amin. Most of them were English-speaking. All this seems to benefit their children educationally.

By contrast, an immigrant child such as

A long haul

Educational attainment of Latinos in Los Angeles* 2001, %



*Age 20-64 in metropolitan area. AA, BA or higher. Source: Census Bureau

Mr Ozdemir had some of the same handicaps as America's young Mexicans or France's Maghrebis. He had to repeat first grade because his German let him down, and his Turkish-speaking parents could not help. "The hardest kind of immigration you can have", he says, "is from a rural area to a complex modern society." It is even tougher when the low wages that make unskilled immigrants so attractive to employers condemn their children to poverty and struggling inner-city schools.

In Los Angeles, Joy Chen, a second-generation immigrant, the daughter of an MIT-educated Chinese father, is deputy mayor. She waves a sheaf of charts showing that the Latino population of the city has outstripped the white; that the new jobs for which demand will grow fastest will require a college degree; and that only one in ten Latino youngsters completes college. That is half the rate for the city's blacks.

Still more alarming is the performance

of the immigrants' grandchildren. Of foreign-born Latinos, 35% have no more than a sixth-grade education, and another 27% do not finish high school. The comparable percentages for second-generation Latinos born in America are 1% and 17%. But for the third generation, they are still 1% and 19%. "By this time," says Ms Chen, incongruously, "they're us."

Not surprisingly, then, the children of the educated and skilled rise more easily through the educational system of their new country than the children of the rural unskilled, and the second group has problems in the job market. The children of the unskilled, unlike their parents, are not keen to work for low pay in jobs that natives shun. After all, they are natives too. And two-thirds of them had hoped for a college degree and a professional job. Instead, a disproportionate number of second-generation youngsters are out of work. Add in discrimination by employers and competition from new waves of immigrants, and their job prospects are often even bleaker than those of the unskilled children of natives. With aspirations far outstripping their qualifications, many immigrant children feel alienated. "Petty crime is linked to immigration," admits Claude Bertrand, deputy mayor of Marseilles. "The reason is that the young do not feel part of society—or, when they do, it's at the lowest level."

Some Americans wonder whether the United States may be treading the same unfortunate road as Europe did in the 1960s, importing low-wage migrants to do industrial jobs. Now those jobs have gone, but the migrants are still there, trapped, with difficult consequences for their children. Because one-third of America's Latinos are under 18 years old, the future of the next generation is a social issue of crucial importance. For them, there is no simple route back. As Mr Suro from the Pew Hispanic Institute observes, "They will grow up just about the time the baby-boomers retire. So we have four to five years left to deliver the workforce we want by late this decade. If we have only a 60-70% success rate, we will double the poverty class."

Such fears raise the most difficult question of future immigration policy. Easily the biggest economic gains from migration arise from allowing the unskilled to move from poor countries to rich. But easily the biggest challenges of integration, and the highest costs, arise if the unskilled settle down and have children. If society fails to integrate the next generations, those costs may stretch far into the future. ■

The view from afar

WHEN, in 1990, Mary Robinson became president of Ireland, she gave an inaugural address in which she described herself as a leader of the Irish throughout the world. "Beyond our state, there is a vast community of Irish emigrants," she said. "I will be proud to represent them."

More and more countries lose people to migration, as Ireland has done for so long, and therefore have a large diaspora living beyond their borders. They may play a part in their former country's politics, because many emigration countries allow dual citizenship. They may also be an economic force. Although migration is often disruptive and harmful for the sending country, the creation of new, trans-national communities may also bring opportunities for gain.

The losses are obvious. Those who leave are often the best-educated and most enterprising. Remzi Lani, director of Albania's Media Institute, bemoans the brain drain that has stripped his country in the past decade. "All three AIDS experts have gone to Canada," he says. "The best brains go and don't come back. We have lost one in six of the population—almost one person per family. There are 8,000 Albanians studying in Italian universities—more than in Tirana University. How many will return? Not more than 5%."

Not only does emigration deplete a country's intellectual capital and energy, it undermines the tax base too. A recent study of the fiscal impact of India's brain drain to America, by Mihir Desai of Harvard University and two colleagues, found that the very best people were most likely to leave. There were 1m Indians living in the United States in 2001, and more than three-quarters of those of working age had a bachelor's degree or better. The earnings in the United States of a group that adds up to 0.1% of India's population are equivalent to an astonishing 10% of India's national income. The net fiscal cost to India of losing these prime taxpayers, say the authors, was 0.24-0.58% of GDP in 2002.

If poor countries had a glut of over-educated, underemployed workers, then the loss of human capital might not matter much. "Most people who leave say that

their skills aren't properly used," says Georgetown's Ms Martin, who argues that such countries might do better to train more people to carry out primary care than to produce expensive doctors. But others argue that seeing highly trained people getting lucrative jobs abroad may persuade youngsters to train too, thus raising a developing country's skill levels.

As rich countries compete for skilled immigrants, development experts worry about the implications. Britain's Department for International Development teamed up with the International Labour Office in Geneva last year to produce a report which found that some developing countries had lost around 30% of their highly educated workforce. However, it argued, international migration generally benefits developing countries, as long as host countries take steps to reduce harm—by, for instance, encouraging migrants to return. And some developing countries are actually keen to have more skilled emigration, argues Allan Findlay of Dundee University, one of the authors of the report. Indeed, India, which produces more highly qualified people than it can employ, is campaigning for migration to be covered by the General Agreement on Trade in Services, part of the current round of international trade talks.

How does migration benefit the sending countries? The most obvious way is through remittances. In Albania, receipts

Emigration also affects those left behind

from remittances amount to 75% of its exports of goods and services (with the unwelcome result that its currency is one of Europe's strongest). All told, IMF figures suggest that developing countries receive more than \$60 billion a year in remittances. That is \$6 billion more than net official aid from OECD countries.

The sheer scale of these flows has prompted interest in the way they are transmitted and deployed. Even such a simple thing as sending money is difficult when an undocumented immigrant cannot open a bank account. Many migrants' families live in countries where the financial system is untrustworthy. Sending them cash became harder after the purge on unofficial channels of money transmission after September 11th.

All this has been a bonanza for the few companies, such as Western Union and Moneygram, that offer reliable money transmission, although at a high cost. It is not unusual for 25% of an immigrant's remittances to be eaten up by fees and poor exchange rates. Now there is a drive in America to start credit unions to do the job more cheaply. And a few banks are competing. For instance, Wells Fargo offers a remittance account in the United States that allows an immigrant's family to draw money from a matching account offered by Bancomer in Mexico. Jane Hennessy, who runs the bank's remittance services, says that Wells Fargo is now piloting a way for immigrants to pay cash into a branch in the United States that can be withdrawn immediately as cash in Mexico. One attraction for undocumented workers is that the bank will accept Mexican identity papers and does not require a passport or American driving licence.

The families that get these remittances often spend them on housing, durable goods and health care. The economy gains if such goods and services are locally produced: on one estimate, each dollar sent home generates three to four dollars of economic growth. Sometimes immigrants from a particular village team up to pay for a septic tank or a school. To channel remittance money into government-approved development projects, some countries try to lure immigrant cash into special bonds. ►►

Earning power

Workers' remittances and net foreign aid, \$m
selected countries

	1996		2000	
	Remittances	Aid	Remittances	Aid
Albania	500	228	531	319
Bangladesh	1,345	1,236	1,958	1,171
Brazil	1,866	288	1,113	322
Colombia	635	189	1,228	187
Croatia	603	133	531	66
Dominican Rep	914	100	1,689	62
India	8,453	1,897	9,034	1,487
Mexico	4,224	287	6,573	-54
Morocco	2,165	650	2,161	419
Sudan	220	220	638	225

Sources: IMF; OECD

► Much of the money flowing back to Central America has gone to rebuild countries shattered by civil war or natural disasters.

Remittances tend to decline over time. But there are other, more subtle ways that emigrants may help the folk back home. For one thing, their departure will change relative wages. If the proportion of skilled people declines, the pay of those who remain may rise. Ioan Mihailescu, rector of Bucharest University and co-author of a UNESCO study on the impact of the brain drain on the academic labour market in south-east Europe, points out that in 1995-97 half his newly graduated physics class left the country, mainly for the United States, whereas last year fewer than 10% of physics graduates went. He thinks this is because jobs for the highly skilled have expanded as the economy has prospered, and pay rates in Romanian companies for people with scientific and technological skills have doubled or trebled over the past eight years.

Don't emigrate, circulate

If immigrants return, they bring back new ideas and skills. A study by Alan Barrett of Dublin's Economic and Social Research Institute looked at returning immigrants to Ireland. It found that male graduates who lived abroad for at least six months after getting their degrees, and who went abroad for work rather than fun, earned 15% more on average than other Irish men with similar qualifications when they came home. Sadly, those who went merely for adventure earned no such premium, and neither did women.

A recent survey by AnnaLee Saxenian

for the Public Policy Institute of California of more than 1,500 first-generation Indian and Chinese migrants found that "brain circulation" is a more appropriate way to describe what is happening to these groups in Silicon Valley than "brain drain". Of those surveyed, 50% go back at least once a year to their home country on business, and 5% return at least five times a year. Even more telling, 74% of Indian respondents and 53% of Chinese ones said they hoped to start a business back home.

Such findings suggest that industrialising countries should try harder to entice back the intellectual and financial capital of their departed migrants. Some already do. Pam Yatsko, author of "New Shanghai: the Rocky Rebirth of China's Legendary City", reports a succession of job fairs in Silicon Valley, often sponsored by China and aiming to woo back high-tech migrants to start companies in Shanghai's Pudong district. America's technology slump has helped. "People will take the jobs because they know that the cost of living is less in Shanghai, and they can get good domestic help," she says. "Also, those who stayed in China made oodles of money."

Even if migrants do not return for good, there are still ways to harness their skills. One that is gathering favour involves using the Internet to create networks of expertise and business contacts. Mercy Brown of South Africa's University of Cape Town has tracked down 41 diaspora networks, tied to 30 different countries (disappointingly few of which are in Africa). Some, such as the South African Network of Skills Abroad, embrace people who are not from South Africa but simply inter-

ested in the country's development. Most are strictly for the brainy, and especially those with scientific and technological know-how. All aim to offer a way for expatriates to help with development.

Other immigrants may travel back and forth between sending and host countries, creating trade and business opportunities as they go. Aissa Goumidi in Marseilles is typical. His textile emporium is an Aladdin's cave of glowing brocades, sultry velvets, sequins and lace. Every metre is sold to merchants in his home country of Algeria. Two of his sons work in Algeria, helping to run his bottling plant and hardware factory there. Only his youngest son, still in Marseilles, is a worry: "He would rather learn English than Arabic," he complains.

In the same city, Mohamed Laqhila, an accountant and second-generation migrant, wants to build on these relationships. He has been bringing people from accounting institutions in the Maghreb countries to discuss investment opportunities in their region with his contemporaries in France. He wants to see a progression, from the first generation that sends back remittances, through the second that sells the family home and brings the cash back to France, to the third that should start to put something more permanent back into the development process.

From all this, a common point emerges. It is in the interests of the sending country to keep in close touch with its émigrés, and to retrieve them if possible. That may not always suit the immigrants or their employers, but it may also be in the interests of host-country governments. Here, surely, is scope for a common policy. ■

A modest contribution

"LET me tell you the problem," says Victor Trevino, Mexico's deputy consul in the border town of El Paso. "The minimum wage in the United States is \$5.15 an hour. In Mexico, many people earn \$5 a day. In a supermarket here, a gallon of milk costs \$3. Across the border, in Juarez, it often costs 10 or 15 cents more." No wonder they come. But what do the people in the host country gain?

For most people, this question revolves around tax and welfare benefits. Do immigrants come to scrounge? Or will they be

the salvation of rich countries that have promised their citizens pensions that the public purse cannot afford? There are wider questions too. Do immigrants depress the pay of native workers? Do they retard the growth of productivity? Or do they bolster global economic growth? To such questions, the answer is mostly an unsatisfying "it all depends".

Take tax and welfare first. Asked whether he thought that the United States should open its borders to all comers, Milton Friedman, the grand old man of liberal

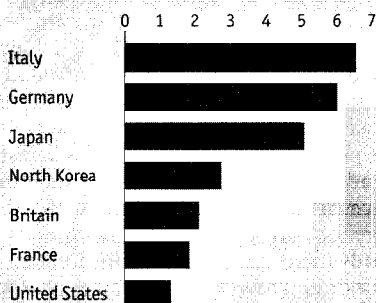
On balance, host countries benefit only slightly from immigration, whereas immigrants benefit hugely

economics, replied: "Unfortunately not. You cannot simultaneously have free immigration and a welfare state."

At a given moment, migrants are generally net contributors to the public purse: they are disproportionately of working age, and the receiving country has not had to pay for their education. A study by Britain's Home Office estimated that the foreign-born population paid about 10% more to the government than it received in expenditure. However, a magisterial study in 1997 of the economic impacts of immi- ►

Unthinkable

Average annual net number of migrants needed to maintain size of working-age population, 2000-50
'000s per million people*



Source: UNPD *As of population in 2000

gration, by America's National Research Council, found that the picture changes if one looks across time instead of taking a snapshot. In that case, the NRC found, first-generation migrants imposed an average net fiscal cost of \$3,000 at present discounted value; but the second generation yielded a \$80,000 fiscal gain.

Some immigrants contribute more than others. Those who come as students or relatives or asylum-seekers (as most do) may not work at all—or may not be allowed to work. In addition, immigrants tend to have larger families, to be poorer and to be more often unemployed than the native-born. The report for the Fondazione Rodolfo De Benedetti found that, in some European countries, such as Denmark and the Netherlands, welfare benefits were so generous that they probably distorted the inflow of immigrants and encouraged them to draw welfare.

As with so many other aspects of immigration, skill levels affect costs. Migrants from poor countries are much more likely to claim benefits than migrants from rich ones; unskilled migrants are much more likely than natives or skilled migrants to lose their jobs in a recession. And countries treat different classes of immigrants in different ways for welfare-benefit purposes. Asylum-seekers in the United States cannot claim welfare during the six months in which their claim is normally determined. In Germany, by contrast, asylum-seekers can claim welfare benefits while their asylum claim is processed. That can easily take years, during which time they may not be allowed to work if they have been sent to live in an area of high unemployment.

Even if immigrants pay more tax than they get back in public spending, they may

create some imbalances on the way. The tax they pay may go to the national government but the spending may burden a city or state, which houses and educates them and their children. The NRC study noted that the fiscal gain from immigrants was spread fairly evenly across the United States, but that the burden on states varied, depending on the type of immigrants they attracted. In 1989-90, in New Jersey, where almost half of new immigrants are from Europe or Canada, native households paid a net \$232 a year more because of immigration; in California, where more than half of all immigrants come from Latin America, they paid \$1,178 a year more.

Immigrants are on average younger than the native-born, and they have more children—partly because of their ages, but also because they usually come from countries with higher fertility rates. Fertility in most rich countries, and especially in Europe, is below replacement level, so their populations will age and shrink over the next half-century. For instance, the median age in Italy may rise from 41 today to 53 in 2050. By mid-century, the population of Spain may be 22% smaller than it is now, and that of the Netherlands 10% smaller. All told, by 2050 no fewer than 34 countries will face a decline in population.

Buying youth

Two years ago, the United Nations Population Division tried to establish what levels of immigration might be needed to prevent such a population decline, and what might be required to maintain the existing ratio of workers to those needing support. Its findings produced international uproar. "Quite a lot of my colleagues had to cancel their holidays when the report came out," says Joseph Chamie, head of the division. Not only did the levels of migration needed to stabilise the working-age population turn out to be large, but the flows needed to stabilise the present support ratio proved to be immense, at least in Europe. The EU would require an annual inflow of nearly 3m migrants a year, or roughly twice the present legal and illegal flow from outside the EU, to prevent the future support ratio (of those aged 15-64 to those aged 65 and over) dropping from about four at present to below three. In the United States, where the support level is currently above five, it would take just under 1m immigrants a year (or about two-thirds the present inflow) to stabilise at three.

Would it help to increase the proportion of the working-age population who

actually work? Yes, said the report, but only up to a point: even if everyone of working age were in work, support ratios in 2050 would still drop below three even in the United States. Only by raising the retirement age to 75 could current support ratios be maintained.

For Europe, these calculations offer an uncomfortable reminder that its population may have peaked around 1997 and may now be declining. America's population, by contrast, will grow over the next half-century, perhaps by 40%—and four-fifths of that growth will be due to today's immigrants and their descendants. Numbers count, and Europe's resistance to immigration may count against it.

Certainly, ageing countries will attract immigrants. Demand from older people for labour-intensive services will drive up the wages of the unskilled. The choice for Europe's old may be between being cared for by legal migrants or illegal ones. However, immigration is not a solution to the strains that ageing will bring. For one thing, by 2050 fertility rates will have dropped below replacement levels even in many traditional emigration countries, including Mexico, Egypt, Brazil, the Philippines and Indonesia. If young people continue to leave these countries in large numbers, supporting the elderly there will one day become an even bigger problem than in the rich world.

Besides, young and fertile migrants grow old and their fertility rates rapidly decline. "There are no feasible migration solutions to the age-structure change and its effects on social security," insists David Coleman, a demographer at Oxford University, who argues that integrating the existing foreign-born and their children should come first.

However, in one respect immigrants may make a substantial difference. The ageing countries of Europe face an unsustainable gap between future tax revenues and commitments to spend and to service government debt. In Germany, for example, that prospective gap is of the order of an annual 6% of GDP. If migrants make a net contribution to taxes over their lives, they reduce that debt. But even if they do not, argues DIW's Mr Brücker, they increase the number of future taxpayers. The same debt spread over more payers automatically reduces the individual burden of future taxpayers. In short, migration cannot prevent ageing, but it can significantly reduce its fiscal consequences.

To sum up, immigration changes both the size of a country's economy and the

► way the gains are shared out. Measurement is difficult, and results often disagree. But a number of broad conclusions emerge from all this.

First, migration probably raises the living standards of the rich (think of all those foreign nannies and waiters) and the returns to capital (hence the enthusiasm of employers for more flexible policies). It does not seem to increase unemployment among the native-born, although it may reduce their pay.

On balance, argued the report by America's NRC, the people whose wages immigration harms are mainly previous immigrants, for whom new immigrants are close substitutes in the job market. In addition, immigration seems to account for almost half the fall in wages of high-school drop-outs in the 1980s and early 1990s. But this is a smallish group, now less than 10% of the American workforce. Trade unions in the United States no longer argue for a ban on immigration, realising that this is a lost cause: instead, they want to legalise the undocumented, who are much more likely to undercut their less-skilled members than are unionised legal immigrants.

The effect on jobs depends partly on whether immigrants are complements to or substitutes for native labour. Are the immigrants doing jobs that natives might have done, or would those jobs simply not exist if immigrants were not there to do them? Advertise for a cleaner in London at twice the minimum hourly wage, and you will get no response from local school drop-outs or Liverpool's unemployed. More probably, the applicants will be from Ukraine, Colombia or Poland.

Some labour economists are puzzled that immigration does not appear to have made much impact on wages or jobs. Trade economists such as Berlin's Mr Brücker are not. They point out that an open economy may change its mix of output, leaving wages and unemployment unaltered. Indeed, in many countries, immigrants are densely concentrated in export industries such as textiles, car making and agriculture.

Immigrants also cluster in areas where the job market is tight. In Canada, half of all immigrants go to Toronto; in Britain, an even higher proportion settles in London. Harvard's Professor Borjas points out that immigrants incur much lower costs than natives in choosing to move to a particular place, because they have already decided to uproot. They gain the greatest benefit by moving to those places where their skills are in greatest demand. Not surprisingly,

he finds that new immigrants are disproportionately clustered in America's high-wage states, where workers are scarcest.

That clustering helps to stop wages rising even further, and allows the entire economy to run at higher speed than might otherwise be possible. The finding has important consequences for Europe, with its lower geographical mobility and more inflexible job markets. There, the importance of immigrants as a flexible workforce is potentially even greater than in the United States.

Immigrants may boost economic growth in other ways that are harder to measure, and that depend on their skills and experience. They may bring entrepreneurial skills: almost 30% of new companies in Silicon Valley in 1995-98 were started by Chinese and Indian immigrants. Some depressed regions actively court immigrants: the chamber of commerce at Nashville, Tennessee, sees them as a source of dynamism, as does Tom Vilsack, the governor of Iowa, whose state has a meat-packing industry relying largely on Bosnian refugees.

Against that, unskilled immigrants may discourage investment. Mr Krikorian, of the Centre for Immigration Studies, argues that productivity in California's raisin industry is far lower than it could be, because of the ready supply of cheap illegal Mexicans to pick the fruit by hand. Australia,

with far fewer illegals, grows grapes over trellises, which allows automated harvesting.

As far as the host country's population is concerned, then, the benefits of immigration may be modest and unevenly distributed. The NRC study estimated them at up to \$10 billion a year—chickenfeed in an economy of \$10 trillion. "The economic pluses and minuses are much smaller than the political and emotional salience," says Rand's Mr Smith. In Europe, where they have been less carefully measured, they may be larger: Britain's government recently increased its underlying forecast for economic growth by a quarter of a percentage point because it now expects higher net inward migration.

Greatest good for the greatest number

For the individual immigrants, on the other hand, the potential gains are very large. This explains why many trade economists argue that humanity as a whole benefits enormously from migration. Alan Winters of Britain's Sussex University, in a study for the Commonwealth Secretariat, has tried to quantify these gains. He concludes that, if the rich countries raised the number of foreign workers that they allowed in temporarily by the equivalent of 3% of their existing workforce, world welfare would improve by more than \$150 billion a year. That is bigger, he points out, ►►



The locals didn't want the job

► that the gains from any imaginable liberalisation of trade in goods.

Dani Rodrik, a trade economist at Harvard University, has independently reached similar conclusions. Gaps in the prices of traded goods have become much smaller after many years of liberalisation. Not so gaps in the wages of similarly qualified individuals in different parts of the world. So the gains from liberalising immigration restrictions are vastly greater than those from further freeing the movement

of goods or capital.

Both Mr Winters and Mr Rodrik agree that the biggest gains are from freeing the movement of unskilled rather than skilled labour, for there the wage gaps among countries are greatest. In addition, the loss of skilled people may do greater damage to the developing countries that have trained them. So both economists independently reach another conclusion: to minimise harm to sending countries, migration should be temporary.

More migration will not be popular. But neither, says Mr Rodrik, is liberalising trade. And indeed, the plight of the miner in Wales or the farmer in Japan whose way of life is destroyed by cheaper imports is not so different from that of the old lady in downtown Los Angeles whose neighbourhood has become Hispanic. All, in different ways, are victims of the march of globalisation. The best remedy is to redistribute some of globalisation's gains to its victims. ■

A better way

HOW can governments develop immigration policies that reap the potential gains without incurring too many political costs? The challenge is to manage the market, not to strive vainly to shut it down. Voters may not like immigration any more than other aspects of globalisation, but they are more likely to tolerate it if policy appears to be orderly rather than chaotic. Legal immigration is easier to regulate than illegal, and more likely to bring benefits in the long term. The thousands of people who today immigrate illegally are condemned to a shadow world of lies, fear and powerlessness. No liberal democracy should tolerate that.

Winning consensus for an orderly policy may mean trying to pick the migrants most likely to bring economic and social gains. For the host country, this means choosing the skilled. It may also mean (although liberal democracies detest the implications) choosing those whose education and culture have prepared them for the societies in which they will live. In Europe, that may mean giving preference to white Christian Central and Eastern Europeans over people from other religious groups and regions.

What about asylum-seekers and family reunion? The main convention under which asylum-seekers claim rights of entry dates from 1951, when Soviet border guards shot people who tried to leave, and the West could afford to be magnanimous. Now, settling asylum-seekers has become vastly expensive: for example, the cost to British taxpayers last year was at least £1 billion (\$1.5 billion), the equivalent of one-third of the country's official aid budget. Is that money best spent on the 76,000 peo-

ple a year who ask for asylum in Britain, or on the millions in refugee camps in countries such as Pakistan and Uganda? And are those few who make it through the Channel tunnel really the ones most in need of protection, or are the people in the refugee camps at greater risk?

As for families, it may be hard to deny somebody who has become a citizen the freedom to choose a spouse from anywhere in the world, or to invite an elderly parent to move in. But countries could at least insist on a working knowledge of their language, and could give priority to adult relatives with skills.

Legalise and regulate

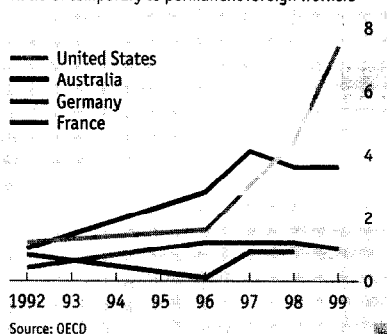
Wherever possible, policy should be guided by three main principles. First, it should be multilateral, or at least bilateral. Immigration policies drawn up by rich countries without the active co-operation of poor countries are unlikely to work. Second, it should apply economic instruments. Whereas trade restrictions have shifted from quotas and bans to more transparent tariffs, no such change has taken place in immigration policy. Third, it should aim for the maximum freedom of movement, but encourage temporary more than permanent movement.

Migration, like other aspects of globalisation, is more manageable when countries work together. Some argue that migration policy should resemble trade policy in other respects too: it should have a central rule-setting body, like the World Trade Organisation, and should be made on a most-favoured-nation basis, so that countries do not offer one partner concessions they are not prepared to extend to all.

Managing the market

Coming and going

Ratio of temporary to permanent foreign workers



This would be hard for voters to swallow. The experience of the European Union shows that countries find it almost impossible to arrive at common immigration rules, even when free movement of labour among their own citizens makes such rules essential.

However, countries could make a number of reciprocal concessions, such as removing all controls on the movement of labour among countries with similar levels of income per head. The fastest growth in foreign trade has been among countries with similar levels of income; the same may well turn out to be true of the movement of labour, although not of permanent migration. Certainly, it makes no economic or social sense for Canadians to stop Australians or New Zealanders from looking for jobs, or for Europeans or Japanese to put obstacles in the way of Americans. Nor does it make sense for developing countries to keep out each other's would-be workers. By removing travel and ►►

work restrictions on each other's citizens, developing countries would be enriched, not impoverished.

Wealthy host countries also need to talk to their poorer neighbours whose workers try to cross their borders. Joint solutions have a better chance of success than unilateral ones. So George Bush has been unwise to leave Mexico in limbo, instead of completing the deal he had begun to hammer out with Vicente Fox. "We want to regularise the Mexicans who have already gone to the United States, and channel future flows," says Gustavo Mohar, who heads negotiations for the Mexican Ministry of Foreign Affairs.

One possibility that Mexico has discussed with the United States is that of imposing a fee on temporary workers: "Pay, and go legally," suggests Mr Mohar, pointing out that the services of a trafficker can now cost up to \$1,000. Mr Massey's book suggests a \$300 fee per visa for a temporary worker. Financial incentives are rarely considered as part of migration policy. Yet the sums that people pay to travel illegally, and the fact that most benefits of migration accrue to the individual, strongly suggest that such devices should have a role.

For instance, a fiscal instrument might replace the economic needs test, so often used to keep out immigrants whose skills are already available locally. That test, says Mr Winters in his paper for the Commonwealth Secretariat, is like the crudest form of protectionism: prohibiting imports of goods where local supplies are available. Given the lack of evidence that immigration harms jobs, such tests are pointless. They are also cumbersome to administer.

In fact, the best judge of economic needs is the market. But, to reassure the hesitant, all employers might be asked to pay a levy—perhaps in the form of a higher rate of payroll tax—to employ foreign-born workers. A scheme of this sort has been suggested by Senator Phil Gramm, partly in order to pay for immigrants' health costs. Some money might equally well go into the social-security funds of immigrants' sending countries. After all, emigration leaves them with fewer workers to pay for supporting the elderly.

Many of the economic gains from mobility do not require migration to be permanent. Indeed, if workers leave only temporarily, the sending country gains the stimulus that they bring on return; the host country avoids the fiscal and social costs of assimilating their families; and the migrants may be more likely to continue sending money home while they are



Just one chance, please

away. America's H1-B visas for skilled workers might serve as a model: they can run for two three-year periods, giving both workers and employers time to decide whether they would prefer a permanent arrangement.

Cheap international transport and communications make it easier for workers to go abroad for short spells. Salah Bariki, a community organiser in Marseilles, describes what happens in his local barber's shop. "The guy who runs it comes from Algeria," he says, "He has a different bunch of lads every couple of months. They come over from the same village on tourist visas and take it in turns." That pattern fits the lives of many migrants, and especially the unskilled.

However, as the example of Mexico's immigrants demonstrates, the tougher border controls become, the less likely migrants are to go home when their work is done, and to incur the expense and danger

of another crossing. When governments design immigration controls, they should bear such perverse effects in mind. They might also ask immigrants to buy a bond—priced slightly above the smuggler's going rate—to enter the country legally. The bond would be repaid to the migrant on return to his own country. The governments of sending countries might play a role too: Harvard's Mr Rodrik suggests giving them a quota for migrants that is reduced by the numbers that fail to return on time.

Such policies may not end illegal immigration, although they would certainly remove some of the pressure. Nor will they stop all temporary workers from staying on. Past experiments with guest workers should restrain expectations: "I would be satisfied with a 65% return rate," says Mr Rodrik. But they offer hope. They hold out the possibility that the poor might earn money in the job markets of the rich, to the benefit of both, without creating all the social problems that the past half-century of immigration has entailed.

Just as reducing the constraints on trade in goods made the world richer in the second half of the 20th century, so reducing the constraints on the movement of people could be a powerfully enriching force in the first half of the 21st. But in democracies, governments cannot force policies on resistant citizens. Some countries will always try to minimise immigration, and will be the poorer for it. Conversely, countries that accept change will be rewarded with a more vibrant and better-off society, even if they have to accept social changes that they may not welcome. Immigration is always a gamble. But when it goes right, everyone wins. ■

Reprints

Reprints of this survey are available at US\$4.25 each, with a minimum of 5 copies, plus 10% postage in the United States, 15% postage in Mexico and Canada. Add tax in CA, DC, IL, NY, VA; GST in Canada.

For orders to NY, please add tax based on cost of reprints plus postage.

For classroom use or quantities over 25, please telephone for discount information.

Please send your order with payment by cheque or money order to:

The Economist
Newspaper Group, Inc.,
Reprints Department,
111W 57th St, New York, NY 10019.

Tel (212) 541 0532

(American Express, Visa and MasterCard accepted)

Future surveys

Countries and regions

France November 16th 2002

Germany December 7th 2002

Brazil February 22nd 2003

Malaysia March 8th 2003

Business, finance and economics

The Internet society Jan 25th 2003

Asian finance February 8th 2003

Biotechnology March 22nd 2003

Previous surveys and a list of forthcoming surveys can be found on our website at www.economist.com/surveys